

Audit Progress Report and Sector Update

North Devon District Council
Year ending 31 March 2020

15 December 2020



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Introduction



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This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications

www.grantthornton.co.uk

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at January 2021

2019/20 Audit

Opinion for the Council

We presented our Audit Findings Reports (ISA260) at the Governance Committee on 5 October 2020 and provided an update on 3 November 2020. In these reports we set out that our anticipated opinion was unqualified and was to include an Emphasis of Matter paragraph highlighting the material uncertainties disclosed in the financial statements in respect of land and buildings, investment properties and the property investment funds held within the Devon Pension Fund.

Subsequent to the committees we completed our audit procedures and issued our anticipated opinion, as set out above, on the 27 November 2020. We also issued the certificate on the same date.

Value for Money (VFM) conclusion

In addition to the opinion on the financial statements, we are also required to issue our Value for Money (VFM) conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. As indicated at the 5 October 2020 Governance Committee we were expecting to issue a unqualified VFM conclusion based on our review of your arrangements for securing sustainable resource deployment. We issued a clean VFM conclusion, concluding that the Council does have arrangements in place to secure VFM on the 27 November 2020 alongside the opinion on the financial statements

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The planning of the certification work for the 2019/20 has been completed. We have also completed the initial discovery testing. This identified a number of areas where additional testing is required and this work is currently underway. We intend to complete our work by the revised deadline of 31 January 2021. We will report our findings to the next Governance Committee in our Certification Letter.

Other areas

Events

Our annual chief accountants workshops will take place early in the new year. These events, spread throughout the country, will be open to your key finance officers and focus on the learning from 2019/20 across the sector as well as providing early insight and views on emerging issues affecting 2020/21 closedown.

2019/20 Proposed Audit Fees

In our Audit Findings Report presented to Governance Committee on 5 October 2020 the fees section indicated that final fees for 2019/20 were to be confirmed.

We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £6,600, in addition to those proposed at the planning stage of the audit. This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities. Further details on the make up of all the additional fees are set out in our Annual Audit Letter.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

VFM for 2020/21 and onwards

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation ran until 2 September 2020. The NAO will now analyse all consultation responses received and consider what changes are required to the draft guidance. More detail is provided on the impact of this change in appendix A.

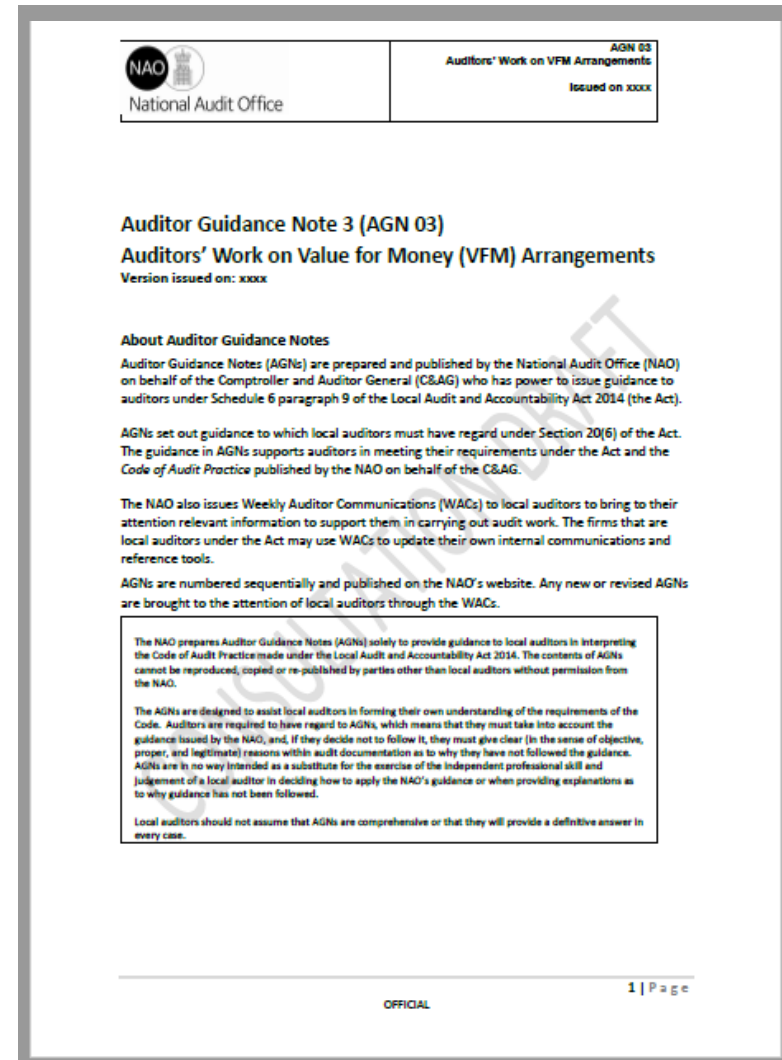
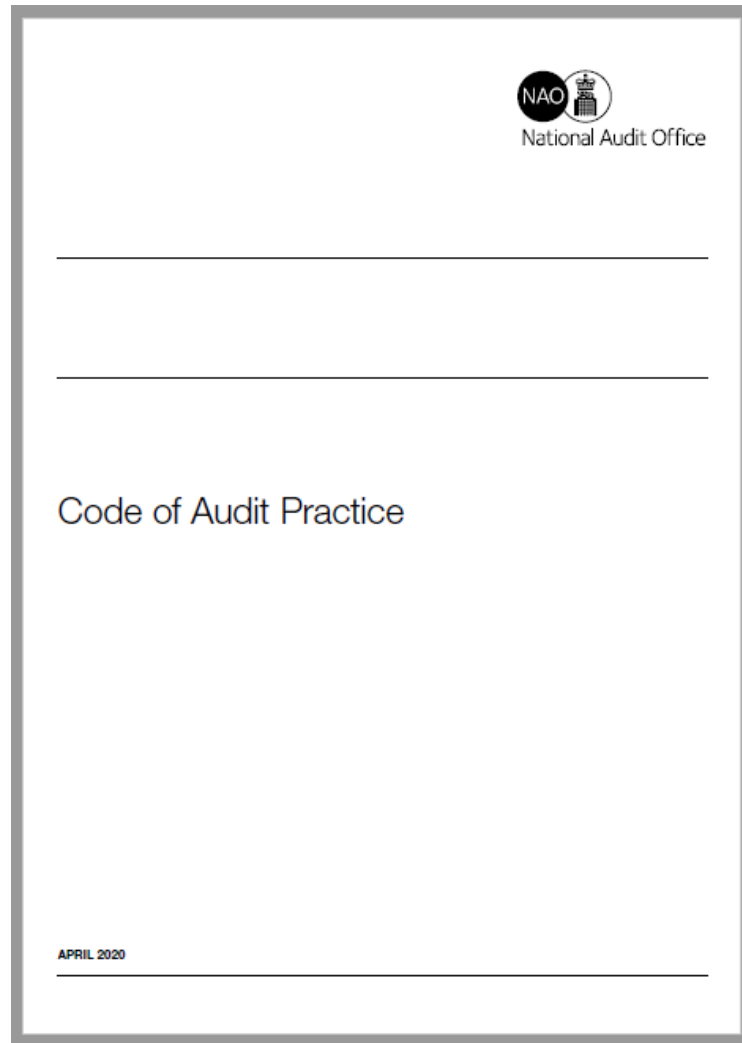
Audit Deliverables (updated – Covid-19 impact)

2019/20 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2019/20. We have appended the updated fee letter seeking additional fees as a result of the increased regulatory focus facing all audit suppliers.</p>	April 2019	Complete
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements. This includes the findings of our value for money initial risk assessment.</p>	March 2020	Complete
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit in our Audit Progress Report.</p>	June 2020	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the October Governance Committee.</p>	October 2020	Complete
<p>Auditors Report</p> <p>This is the opinion on your financial statements, annual governance statement and value for money conclusion.</p>	October 2020	Complete
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	October 2020	On this agenda.

Appendix A

Auditor's work on VFM Arrangements

How have the NAO changed value for money work ?

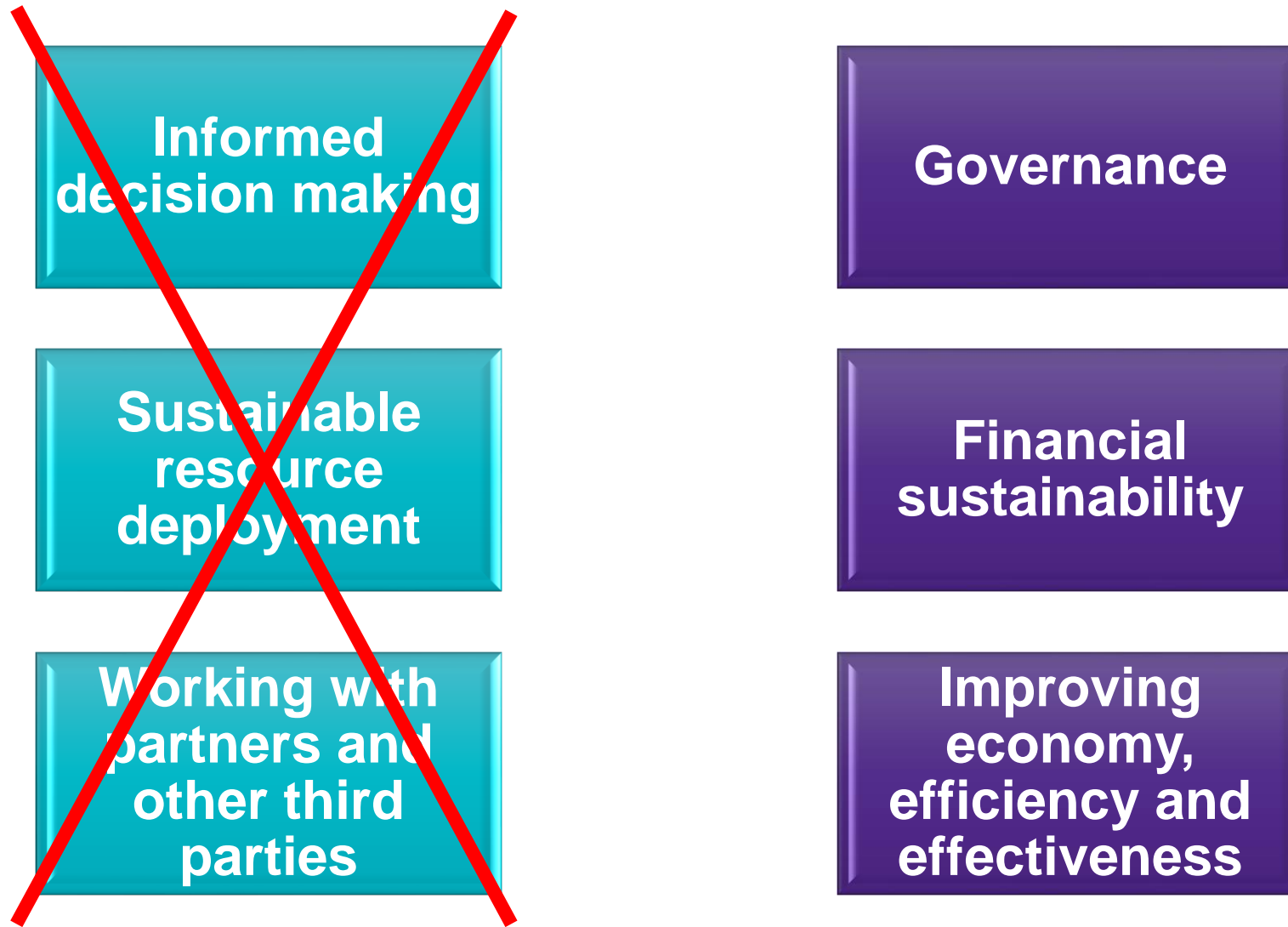


How is value for money work changing ?



VFM arrangements commentary and recommendations

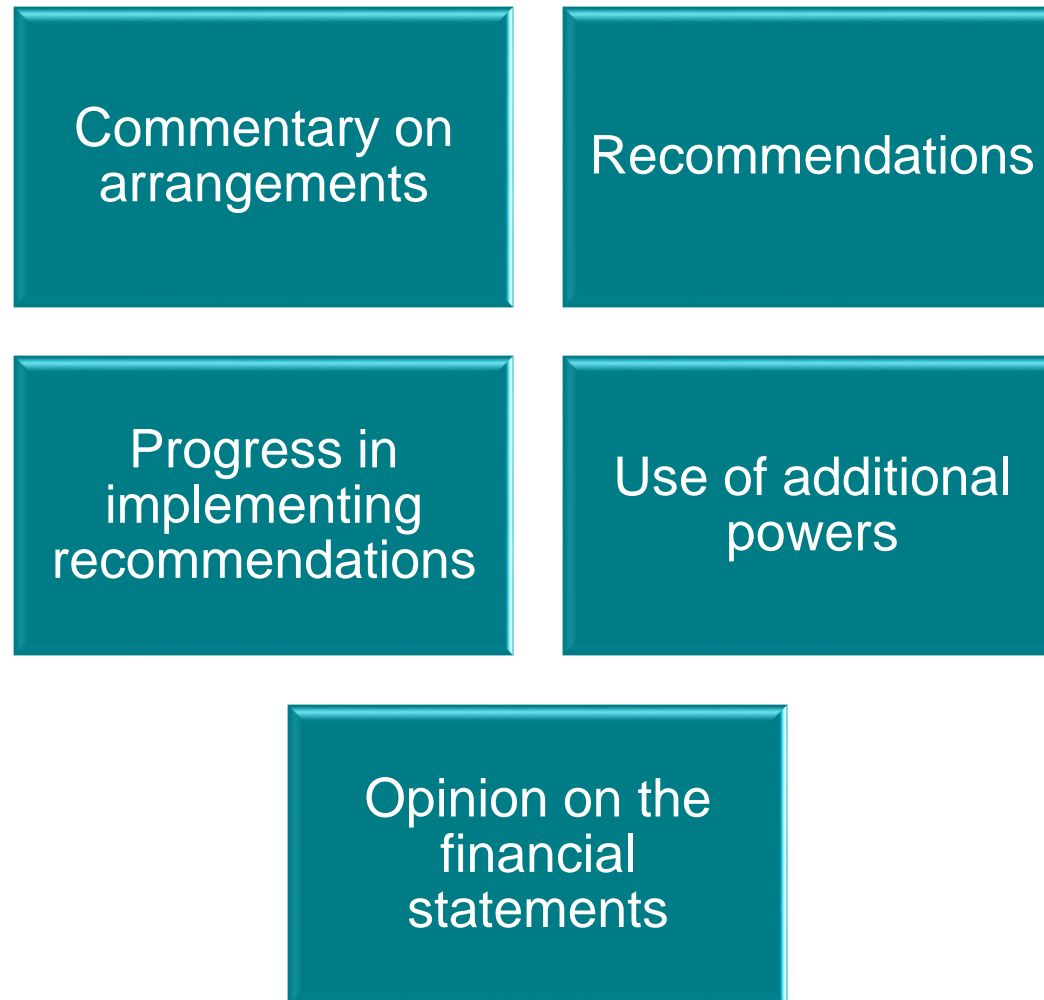
The three criteria have changed...



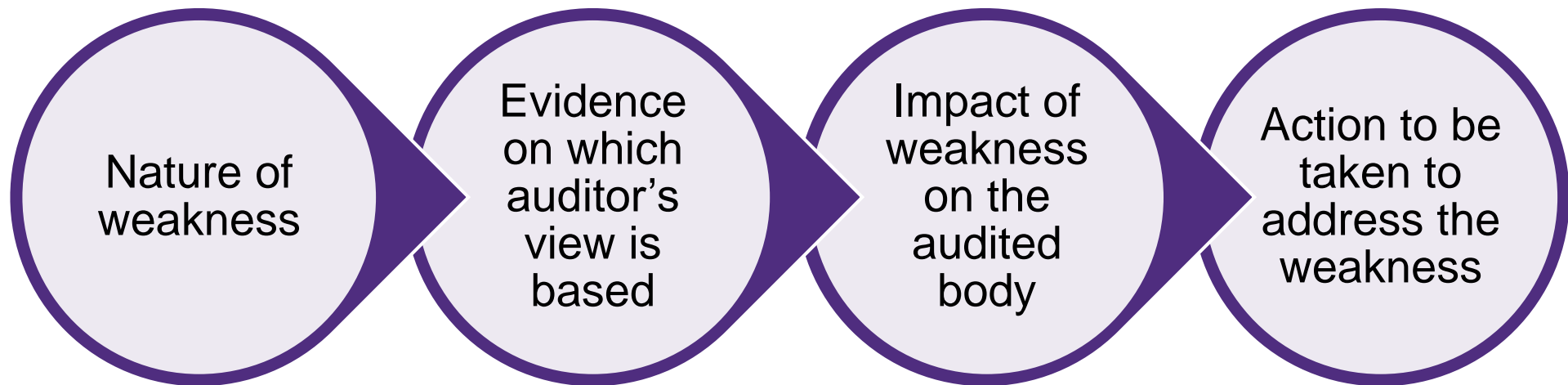
A key change in reporting...



So what is in an Auditor's Annual Report ?



Recommendations



Practical implications

The new approach is more complex, more involved and will lead to better quality working achieving more impact. Before beginning work, we will discuss with you:

- Timing
- Resourcing
- Fees

Q&A



